

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 7310**

**BILL NUMBER:** HB 1216

**NOTE PREPARED:** Jan 19, 2013

**BILL AMENDED:**

**SUBJECT:** Tax Credit for Hiring Offenders.

**FIRST AUTHOR:** Rep. Shackelford

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill provides an income tax credit to a taxpayer who hires an ex-felon. The credit equals \$3,000 for each qualified individual the employer hires during the taxable year. The bill provides that the maximum amount of credits allowed in FY 2014 may not exceed \$1 M. After FY 2014, the annual credit limit is increased to \$2.5 M for each subsequent fiscal year.

This bill requires Department of Corrections (DOC), Department of Insurance (DOI), and the Department of State Revenue (DOR) to provide a report on the effectiveness of the credit before August 1, 2015.

**Effective Date:** January 1, 2013 (retroactive).

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new credit. The DOR's current level of resources should be sufficient to implement this change.

*Joint Report:* The bill requires the DOC, DOI, and DOR to submit a joint report on the use and effectiveness of this credit to both the Governor and the Legislative Council. The deadline for the report is August 1, 2015. The bill's requirements are within the routine administrative functions of these agencies and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

**Explanation of State Revenues:** *Summary* - This bill creates a tax credit for employers who hire a qualifying individual who has been convicted of a felony. The credit equals \$3,000 per qualifying individual hired during

the taxable year. The credit is effective beginning in tax year 2013, so the revenue impact would likely begin in FY 2014. If 5% of the people who are released from an Indiana prison each year are hired, the credit would reach the maximum limit of \$1 M in FY 2014 and \$2.5 M in FY 2015. The revenue to the state General Fund would be reduced by the amount of the credits.

**Additional Information** - This credit may be claimed by a taxpayer who hires an individual convicted of a felony under federal or state law, provided the individual is hired within 12 months of the individual's release date from prison or the date of the individual's most recent felony conviction, whichever is later. The credit equals \$3,000 per qualifying individual hired during the taxable year. The credit can be used to offset tax liabilities for Individual Adjusted Gross Income (AGI), Corporate AGI, and Insurance Premiums Taxes. Revenue collected from those taxes is deposited in the state General Fund. The credit is nonrefundable, but unused credits may be carried forward for up to 9 years. Credits may not be carried back.

The bill establishes an annual limit on the total amount of credits that may be claimed by taxpayers. The limit is \$1 M in FY 2014 and \$2.5 for each fiscal year thereafter. The credits are awarded based on eligibility and upon the order that returns claiming the credit are received by the DOR.

According to the DOC, there were about 20,000 adults released from an Indiana prison in 2011. Assuming the same number of people are released from prison in 2013, the maximum credit amount for FY 2014 could be reached if less than 2% of those people become employed by an Indiana taxpayer. The \$2.5 M credit limit could be reached if less than 5% of the same number of people are hired in FY 2015. These estimates only include the number of felons released from Indiana prisons. It does not include those individuals who are convicted of a felony but are not incarcerated.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Corrections; Department of Insurance; Department of State Revenue;

**Local Agencies Affected:**

**Information Sources:** Indiana Department of Corrections, *Calendar Year 2011 Year End Review - Offender Population Statistical Reports*,

**Fiscal Analyst:** Heath Holloway, 232-9867.